



C.SAMIR & CO. LLC

**LEGAL OPINION ON THE MATTER OF THE BUSINESS ACTIVITIES OF THE  
COMPANY NAMELY NAUMARD LIMITED, REG. NO HE352653**



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**SEPTEMBER, 2018**

THIS LEGAL OPINION HAS BEEN PREPARED BY

C. SAMIR & CO.



**TO: NAUMARD LIMITED**  
Aglantzias 21 Street,  
COMPLEX 21B, Floor 2, Flat 1  
Aglantzia, 2108  
Nicosia, Cyprus

17<sup>th</sup> Day of September 2018

**IN THE MATTER OF LEGAL QUESTION RELATING THE BUSINESS ACTIVITIES OF  
THE COMPANY NAUMARD LIMITED REG. NO HE 352653**

**1. INTRODUCTION**

We, the undersigned, **C. SAMIR & CO. LLC**, Advocates-Legal Consultants of Nicosia, Cyprus (hereinafter "**the Advisor**"), have been asked by you, Messrs. NAUMARD LIMITED, (hereinafter "**the Advisee**" or **the Company**") at Aglantzias 21 Street, COMPLEX 21B, Floor 2, Flat 1 Aglantzia, 2108, Nicosia, Cyprus, to whom this letter is being addressed, to provide you with a legal opinion in connection to the following matters:

*Whether the Company may provide certain business activities, as those are being disclosed and analysed in Clause 5 'Background and Statement of Facts':*

- a) Without any limitation from the Company's Memorandum and Articles of Association;*
- b) Legally and freely and without any type of license/authorization from any Authority in the Republic of Cyprus and;*
- c) Whether an agreement for the provision of the business activities will legally bind the parties.*

**2. LEGAL FRAMEWORK**

For the purpose of this opinion we have relied on the following statutory framework:

- a) The Cyprus Company Law Cap. 113;
- b) The Contract Law Cap 149;
- c) Cyprus Securities & Exchange Commission. Circular C268: Introduction of new rules governing derivatives on virtual currencies, dated 15.05.2018.



### 3. SCOPE

This Opinion relates to the laws of the Republic of Cyprus as enacted and applied and as generally interpreted as at the date hereof. We do not assume any obligation to update this Opinion or to inform you of any changes to facts or law (even if such change may affect the legal analysis, legal conclusions or information in this Opinion).

We have made no investigation of, and this Opinion does not address, the laws of any jurisdiction other than the Republic of Cyprus. To the extent we have reviewed any documents governed by foreign law, we have only considered rights and obligations, as they can be seen directly from such documents from Cyprus Law perspective without knowledge of the respective foreign law, and we have interpreted the language used in such documents from the perspective of a Cyprus lawyer without considering the particular meaning such language might have under foreign law.

### 4. ASSUMPTIONS

In giving this Opinion, we have assumed (without making any investigation):

- a) The accuracy of the information and facts provided by the Advisee;
- b) That nothing in this Opinion is affected by the provisions of any law other than the laws of the Republic of Cyprus and/or by any document other than those referred to above.

### 5. BACKGROUND & STATEMENT OF FACTS

- a) According to the information provided by the Advisee to the Advisor, the subject matter Company is incorporated and registered under the Laws of the Republic of Cyprus under the Company Law CAP 113.
- b) The Company's business activities relate to services as below detailed:
  - 1) The Company shall establish an online platform under which individuals can sell their crypto currency tokens for an agreed price. The Company shall accept the following crypto currency coins: Bitcoin (BTC), Ethereum (ETH), Litecoin (LTC), Bitcoin Cash (BCH), Ripple (XRP), and other crypto currency coins from <https://coinmarketcap.com> TOP 10 list.



- 2) The buyer will be the Company. The seller may be either an individual or a legal person.
- 3) The Company shall aim for clients from Europe as well as the CIS countries (i.e. Russia, Azerbaijan, Belarus, Kirgizstan, Kazakhstan, Armenia, Moldova, Tajikistan, and Uzbekistan, Ukraine).
- 4) The Advisee shall not be engaged in any banking or payment related services or any other services which fall under the scope of the Banks/Credit Institutions, Payment Institutions and Electronic Money Institutions laws and regulations.
- 5) The selling price of the tokens will be calculated taking into account the market data (for example on the data from <https://coinmarketcap.com> and/or data from leading exchanges).
- 6) The Company shall be providing the consideration either in Euro or in USD and shall be transferring the consideration either in the Seller's bank account or credit card.
- 7) The Seller shall have the right to re-purchase the tokens within a specific period which may vary from 30 days, 60 days, 90 days, or other timeframes agreed by the parties.
- 8) The Seller shall be able to re-purchase the token within the above-mentioned timeframes which will be agreed between the parties and once a consideration will be provided to the Company. The calculation of the consideration shall include the amount which the token was first sold plus the platform fees and any other expenses (including maintenance expenses). The total amount of consideration in the event of re-purchase of the token will be known to the seller from the beginning and shall be part of the initial Purchase contract between the Seller and the Company.
- 9) In any case, the Seller shall have the right not to exercise his right to re-purchase the token and the Company shall have the right to sell the token or otherwise treat the asset once the time frame for the exercise of the re-purchase right will expire.
- 10) The Company shall apply a number of KYC and Due Diligence measures to the Seller in order to comply with any requirements deriving from the 'Prevention and Suppression of Money Laundering and Terrorist Financing Law'.

## **6. OPINION**

*Whether the Company may provide certain business activities, as those are being disclosed and analysed in Clause 5 'Background and Statement of Facts' a) without any limitation from the Company's Memorandum and Articles of Association, b) legally and freely and without any type of license/authorization from any Authority in the Republic of Cyprus and c) whether an agreement for the provision of the business activities will be legally bind the parties.*



- a) On the basis of the Assumptions set out in **Clause 4** above and subject to the Qualifications set out below in **Clause 7** and subject to any matter not disclosed to us which would affect the conclusions set out below, we are of the following opinion:
- i. The Company is a Cyprus Limited Liability Company, incorporated on the 23.02.2016 under the laws of the Republic of Cyprus with registration number HE 352653. Please refer to **Annex 1** Certificate of Incorporation.
  - ii. The Company's registered office is at Aglantzias 21 Street, COMPLEX 21B, Floor 2, Flat 1 Aglantzia, 2108, Nicosia, Cyprus and according to the records of the Registrar of Companies and Official Receiver of Cyprus the date of execution of this legal opinion, the company was ACTIVE. Please refer to **Annex 2** Registered Office and **Annex 3** Extract from Registrar of Companies.
  - iii. **Having reviewed the Company's Memorandum & Articles of Association, as this was provided by the Company, we are of the opinion that nothing in the Company's Memorandum and Articles of Association prohibits the Company from engaging in the business activities as described in Clause 5 above. Please refer to Annex 4 Memorandum and Articles of Incorporation.**
- b) On the basis of the Assumptions set out in **Clause 4** above and subject to the Qualifications set out below in **Clause 7** and subject to any matter not disclosed to us which would affect the conclusions set out below, we are of the following opinion:
- i. Under the Cyprus Contract Law, Cap 149, Article 11, which governs contractual relations in Cyprus, every person is competent to contract who: (a) is of sound mind; and (b) is not disqualified from contracting by any Law. As per Article 12 and 13 of the Contract Law, Cap 149, a person is said to be of sound mind for the purpose of making a contract if, at the time when he makes it (the contract), he is capable of understanding it and of forming a rational judgment as to its effect upon his interests. A person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind. A person who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind. **Two or more persons are said to consent when they agree upon the same thing in the same sense.**
  - ii. We note that a person may be a natural and/or a legal person (where legal person can be a company).



- iii. The Company shall enter into a purchase agreement with either a legal or natural person. Under Article 10 of the Contracts Law, Cap 149, in order for the agreement to be valid as per the legal framework that governs the contracts in the Republic, and to be considered as a legally contract, the below must be in place:
- Free will of the parties, who should be competent to contract;
  - Legal consideration;
  - Legal purpose;
  - The contracts are not explicitly prohibited under the Cyprus laws.
- iv. Given the facts provided in Clause 5, the Company must ensure that both parties (the Company and the Seller) will provide their free will and shall be in good standing and sound mind and not disqualified from entering into a contractual relationship. The consideration to be provided by the Company in exchange for the crypto currency token, shall be a price to be calculated taking into consideration the current market value of the asset. The currency which the transaction will be concluded with should be either Euro or US Dollar.
- v. **Furthermore, we are of the opinion that the respective purchase is not prohibited under the laws of the Republic.** The purchase will evolve around crypto currency tokens<sup>1</sup>. There is no single global definition of the term 'virtual currency'. However, to provide for a common regulatory approach, the EU has adopted a definition of virtual currencies, derived from the FATF's guidance. Virtual currencies could be considered as 'a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money, **but is accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded electronically**'.

Currently, the Republic of Cyprus and the position of the EU Authorities, (including the EU Parliament) have not prohibited such transactions or such contracts which involve virtual/crypto currencies despite the issuance of some warnings relating to the trading and investing in Initial Coin Offering Schemes (ICO's). The above relates to the virtual/crypto currency and the token as such and not derivatives on crypto currencies. We wish to note that derivatives<sup>2</sup> and other financial instruments, for

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<sup>1</sup> European Parliament, Position adopted at first reading on 19 April 2018 with a view to the adoption of Directive (EU) .../... of the European Parliament and of the Council amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU, Article 3 new point 18 of the Directive (EU) 2015/849, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2018-0178>.

<sup>2</sup> Circular C268 states: Further to the European Securities and Markets Authority's ("ESMA") decision on 27 March 2018 to include Contracts For Differences ("CFDs") on virtual currencies into the scope of its product



example Contracts for Difference (i.e. CFD's) relating to virtual currencies are being considered as financial assets, traded and tradable in online exchanges which under certain conditions, are subject to certain market rules imposed by the national competent authorities under the supervision of ESMA (European Securities and Markets Authority).

- vi. **We are of the opinion that the aforementioned (v) falls outside of the scope of the purchase agreement in which the Company wishes to enter, since, the Company wishes to establish a purchase agreement with the seller on tokens and no trading on derivatives shall take place between the parties. In this respect, we are of the opinion that the scope of the purchase agreement relating to virtual currency tokens is not prohibited under the laws of the Republic of Cyprus and is not subject to any licensing and/or authorization procedures in the Republic of Cyprus.**
  - vii. We note that the Company shall attract sellers from Europe and CIS countries, however, in case where new market rules and regulations will impose restrictions and/or prohibitions with respect to the scope and the legality of such an agreement, the Company should seek local legal advice.
  - viii. The purchase agreement shall give rise to seller to re-purchase the token within a certain period of time which will be agreed in advance between the parties. In this agreed time frame, the Purchaser (i.e. the Company) shall not be in a position to further sell the token. The seller shall have the right to acquire the token if he gives as a consideration a pre-agreed amount which could very well vary from the initial selling price.
  - ix. **The seller may choose to exercise or not the above (viii) right freely and without any commitment. Nothing in the Contract Law, Cap 149 prohibits such term since both parties consent to the existence of such a term.**
- c) On the basis of the Assumptions set out in **Clause 4** above and subject to the Qualifications set out below in **Clause 7** and subject to any matter not disclosed to us which would affect the conclusions set out below, we are of the following opinion:
- i. Taking into account the legal analysis of Sections a) and b) of Clause 6, we are of the opinion that the purchase agreement shall be in line with the provisions of the Contract Law, Cap 149 and in particular, the Company shall be able to enter into purchase agreements with persons (either legal or natural), in Europe or abroad,

intervention measures, **CFDs on virtual currencies are considered as financial instruments** under the Investment Services and Activities and Regulated Markets Law of 20172 (the "Law").





unless such agreements are prohibited in the territories where the counterparty is located.

- ii. Nothing in the Company's Memorandum prohibits the purchase of crypto currency tokens. No current law or regulation in the national or EU law prohibits the establishment of purchase agreement of such assets as above-mentioned explained (Clause 6. b (v)).
- iii. **A purchase agreement is to be considered as a legally binding document where the counterparties must (Company and seller) perform, their respective promises as per Article 37 (1) of the Contract Law, Cap 149 under which: 'The parties to a contract must either perform, or offer to perform, their respective promises, unless such performance is dispensed with or excused under the provisions of this Law, or of any other Law'.**
- iv. The scope of such purchase agreement does not require any type of licensing and/or authorization from the Authorities of the Republic of Cyprus since no derivatives or financial instruments are being traded.
- v. Any clauses for the right of the seller for re-purchase of the virtual/crypto currency tokens are valid in case both parties will pre-agree the terms of such re-purchase and where the parties will meet their contractual obligations (i.e. consideration and delivery of the asset). Article 37(1) of the Contract Law should be in effect.

## **7 QUALIFICATIONS**

The Opinions expressed in this letter are subject to the following qualifications:

- a. For the purposes of this opinion we have relied on (i) the Cyprus Company Law Cap. 113, (ii) the Contract Law, Cap 149, (iii) Cyprus Securities & Exchange Commission. Circular C268: Introduction of new rules governing derivatives on virtual currencies, dated 15.05.2018; (iv) any relevant statutes, laws and regulations of the Republic of Cyprus.
- b. This Opinion shall be governed by and construed in accordance with the Laws of the Republic of Cyprus and is strictly limited to the matters specifically stated herein. It is not to be read as extending by implication to any other matter and it relates to facts and circumstances existing as of the date thereof and is given solely in connection with the information provided to us.



Yours Sincerely,

Charalambos Samir  
For and on behalf of  
C. SAMIR & CO. LLC